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Canadian Trade Highlights

Canada's Trade with China: 1997 to 2006

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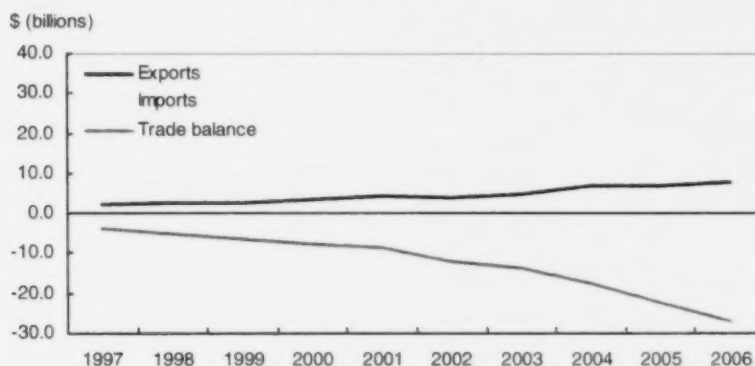
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Canada's Trade with China: 1997 to 2006

Findings

Canada's total merchandise trade with China has soared in the last decade, reaching \$42.1 billion in 2006 and accounting for 5.0% of Canada's world trade.¹ In 1997, China was Canada's fourth largest trading partner with total merchandise trade of \$8.7 billion. By 2003, the country had emerged as Canada's second largest trading partner surpassing the U.K. and Japan.² Imports from China were five times higher in 2006 than in 1997 while exports to the country tripled.

Figure 1 Canada's Merchandise Trade with China, 1997 to 2006



Data source: World Trade Atlas, Statistics Canada, 2007.

Figure source: Statistics Canada, 2007, Canada's Trade with China: 1997 to 2006, catalogue number 65-508-XIE

The growth in Canada's merchandise trade with China reflects the emergence of China as a global economic force over the past decade. In 1997 the country ranked as the 7th largest economy in the world in terms of GDP. By 2005 it had become the world's fourth-largest economy, smaller than the United States, Japan and Germany but soaring past France, Britain and Italy. Since it joined the World Trade Organization in 2001, China has doubled its share of global manufacturing output, creating enormous demand for commodities and raw materials. According to the latest revised data released by China's National Bureau of Statistics, the Chinese economy expanded by 11.1% in 2006, the fastest growth since 1995.³ The growth has been fuelled primarily by huge investments, and a boom in exports that generated a trade surplus of \$177.5 billion (US Dollars) in 2006 creating a foreign exchange reserve reaching over \$1 trillion (US Dollars).

1 See About the data.

2 China has remained Canada's second largest trading partner since 2003 followed by Japan and the U.K. in the third and the fourth places, respectively.

3 According to the latest data, China's GDP reached \$2.6 trillion (US Dollars) in 2006. In comparison, Canada's GDP was estimated at \$1.3 trillion (US Dollars) in 2006.

Two-way trade within the same commodity groups accounts for a large share of the Canada-China trade

A significant part of Canada-China trade can be related to the globalization of production. In 1997, 34.3% of Canada's exports to and 37.6% of imports from China involved two-way trade within the same commodity groups.⁴ By 2006, as exports increased to four-fold the level in 1997 and imports soared to over eight-fold the 1997 level, the two-way trade accounted for over 45% of exports and 57% of imports. Leading commodities in the two-way trade include organic and inorganic chemicals, plastic and rubber materials, iron and steel and articles made of iron and steel, industrial and agricultural machinery and equipment, electronics, automotive equipment and parts, optical, photo, medical and surgical instruments, wood products, paper and paperboard and fish products.

Table 1.a Leading Canadian exports to China, 1997

Rank	Commodity group	Value	Share of total exports to China
		millions of dollars	percentage
1	Wheat	455.4	18.9
2	Electrical machinery and equipment	313.5	13.0
3	Wood pulp	262.1	10.9
4	Fertilizers	258.5	10.7
5	Machinery; reactors, boilers	123.6	5.1
6	Synthetic fibers and fabrics	105.4	4.4
7	Metal ores	101.6	4.2
8	Fats, oils, etc.	86.1	3.6
9	Paper, paperboard and articles	85.4	3.5
10	Plastics and articles made of plastic	73.4	3.0
Total (top ten)		1,865.0	77.5
Total exports		2,407.5	100.0

Data source: Statistics Canada, 2007, World Trade Atlas.

Table source: Statistics Canada, 2007, Canada's Trade with China: 1997 to 2006, catalogue number 65-508-XIE.

Table 1.b Leading Canadian exports to China, 2006

Rank	Commodity group	Value	Share of total exports to China
		millions of dollars	percentage
1	Wood pulp	1,136.5	14.8
2	Organic chemicals	881.0	11.5
3	Nickel articles	641.7	8.4
4	Metal ores	558.1	7.3
5	Machinery; reactors, boilers	519.4	6.8
6	Electrical machinery and equipment	429.3	5.6
7	Vehicles, except railway or tramway, and parts etc.	410.7	5.4
8	Plastics and articles of plastic	332.1	4.3
9	Fish and seafood	271.3	3.5
10	Fertilizers	244.3	3.2
Total (top ten)		5,424.3	70.8
Total exports		7,661.3	100.0

Data source: Statistics Canada, 2007, World Trade Atlas.

Table source: Statistics Canada, 2007, Canada's Trade with China: 1997 to 2006, catalogue number 65-508-XIE.

⁴ The commodity groups here refer to two digits HS classification.

Table 2.a Leading Canadian imports from China, 1997

Rank	Commodity group	Value	Share of total imports from China
		millions of dollars	percentage
1	Electronics sound equipment etc.	942.0	14.9
2	Toys, games and sports equipment	870.0	13.7
3	Footwear etc.	558.5	8.8
4	Machinery; reactors, boilers	554.0	8.7
5	Apparel articles and accessories, not knitted	518.9	8.2
6	Leather articles, including handbags	381.3	6.0
7	Furniture; bedding etc.	294.7	4.6
8	Plastics and articles of plastic	237.0	3.7
9	Apparel articles and accessories, knit or crochet	178.9	2.8
10	Optic, photo etc., medical or surgical instruments etc.	155.6	2.5
Total (top ten)		4,691.0	74.0
Total imports		6,341.4	100.0

Data source: Statistics Canada, 2007, World Trade Atlas.

Table source: Statistics Canada, 2007, Canada's Trade with China: 1997 to 2006, catalogue number 65-508-XIE.

Table 2.b Leading Canadian imports from China, 2006

Rank	Commodity group	Value	Share of total imports from China
		millions of dollars	percentage
1	Machinery; reactors, boilers	7,166.6	20.8
2	Electronics sound equipment etc.	6,794.8	19.7
3	Toys, games and sports equipment	2,411.4	7.0
4	Furniture; bedding etc.	2,273.4	6.6
5	Apparel articles and accessories, not knitted	1,839.5	5.3
6	Apparel articles and accessories, knit or crochet	1,587.5	4.6
7	Articles of iron and steel	1,331.9	3.9
8	Footwear etc.	1,128.5	3.3
9	Plastics and articles of plastic	978.6	2.8
10	Optic, photo etc., medical or surgical instruments etc.	791.2	2.3
Total (top ten)		26,303.4	76.3
Total imports		34,486.3	100.0

Data source: Statistics Canada, 2007, World Trade Atlas.

Table source: Statistics Canada, 2007, Canada's Trade with China: 1997 to 2006, catalogue number 65-508-XIE.

In addition to the leading commodities involved in the two-way trade, Canada experienced over the last decade a rapid growth in the exports of nickel articles, copper and metal ores. At the same time, imports from China of furniture, apparel articles and accessories, and aluminum articles skyrocketed.

The commodity-mix of exports to China has changed little in the last decade

As the commodity-mix has changed little, a number of commodities have become more important in the Canadian export to China. Indeed, of the 30 leading commodities exported in 1997, 25 remained in the list of 30 leading commodities exported to China in 2006. In recent years, wood pulp, organic chemicals, nickel articles, copper and articles have become increasingly important in Canadian exports to China.

Diminishing importance of wheat in exports to China

During the period 1995 to 1997 wheat was Canada's largest export to China averaging over 30% of the value of our total exports to the country. However, over the last decade, the importance of this commodity has declined in terms of its total value and its share in Canada's exports to China. In fact, during the three-year period 2004 to 2006 the share of wheat in Canada's total exports to China averaged only about 6.0%.⁵

Growing importance of China as a source for machinery and equipment

In 1997 China accounted for 1.8% of Canada's total imports of machinery and equipment (in HS classes 84 and 85) from the world. Imports of machinery and equipment from China accelerated over the last decade and by 2006, the country's share in Canada's total imports in that category grew to 13.6%. Our imports from China over 1997-2006 also became more intensive in machinery and equipment. The share of the commodity group in Canada's total imports from China advanced from 23.6% in 1997 to 40.5% in 2006. Dominant among these commodities are computers and computer parts, auto parts, cell phones and parts, TV, audio and video equipment, hand tools, and household appliances.

Canada's rising trade deficit with China

The growth in Canada's imports from China during the past decade has outpaced the growth in our exports to the country.⁶ As a result, our trade deficit with China has expanded from \$3.9 billion in 1997 to \$26.8 billion in 2006. Canada's overall trade surplus was \$43.6 billion in 2006.

Table 3 Canada's trade balance with China, 1997 to 2006

	Exports	Imports	Trade balance
	in billions of dollars		
1997	2.4	6.3	-3.9
1998	2.5	7.7	-5.2
1999	2.7	9.0	-6.3
2000	3.7	11.3	-7.6
2001	4.3	12.7	-8.5
2002	4.1	16.0	-11.9
2003	4.8	18.6	-13.8
2004	6.8	24.1	-17.3
2005	7.1	29.5	-22.4
2006	7.7	34.5	-26.8

Data source: Statistics Canada, 2007, World Trade Atlas.

Table source: Statistics Canada, 2007, Canada's Trade with China: 1997 to 2006, catalogue number 65-508-XIE.

⁵ Because wheat exports to China show large annual variations, three-year averages have been used.

⁶ In the first eight months of the current year, however, exports to China grew 36% while imports increased 16% over the same period in 2006.

About the data

The trade data used in this report are seasonally unadjusted HS-based customs data obtained from Statistics Canada's *World Trade Atlas, 2007*. A word of caution is appropriate here. It is well-known that import data are usually more reliable than export data as customs agencies in importing countries are more observant with import documents than with export documents. Canada's published exports to China in 2003 amounted to \$4.8 billion while the corresponding Chinese published imports from Canada in that year were valued at \$6.1 billion. Statistics Canada's Canada-China merchandise trade reconciliation study for 2002 and 2003 (see 'Merchandise Trade Reconciliation Study: Canada-China, 2002 and 2003' in *Canadian Trade Review*, August 2005) shows that export trade was understated in both directions. Country misallocation, price mark-ups, valuation differences between countries and re-exports are major contributors to the discrepancy between the Canadian and Chinese published trade data. The reconciliation study puts Canada's trade deficit with China for 2003 at \$10.3 billion, 25% less than the published figures.

